

City and County of San Francisco

Office of the Controller – City Services Auditor

AIRPORT COMMISSION:

Cash Handling Audit of New South Parking

GOVERNMENT
DOCUMENTS DEPT

MAR 19 2010

SAN FRANCISCO
PUBLIC LIBRARY



March 18, 2010

CONTROLLER'S OFFICE CITY SERVICES AUDITOR

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

The audits unit conducts financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

We conduct our audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

Audit Team: Ben Carlick, Audit Manager
John Haskell, Associate Auditor



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

March 18, 2010

San Francisco Airport Commission
P.O. Box 8097
San Francisco International Airport
San Francisco, CA 94128

President and Members:

The Controller's Office, City Services Auditor, presents its report concerning the cash handling audit of New South Parking (NSP) at San Francisco International Airport (Airport). Under an agreement with the City and County of San Francisco (City), NSP operates several parking facilities at the Airport, collects revenue from parking patrons, and deposits the revenue to a City bank account. Based on NSP's monthly statements to the Airport, NSP remitted to the Airport \$80.97 million for the October 1, 2008, through September 30, 2009, audit period. The purpose of the audit was to determine whether NSP's controls over handling of cash and checks are adequate to ensure that the Airport receives all revenues due from the parking garages.

The audit found that cash handling procedures used by NSP are generally adequate for ensuring that cash and checks collected from parking patrons are properly deposited to the City's bank account. However, the audit also found that monthly statements of gross revenues created by NSP and provided to the Airport should be modified so they present clearer, more complete information.

The audit includes seven recommendations, and the Airport's and NSP's responses to the audit are included as Attachments A and B. The Controller's Office, City Services Auditor, will follow up with the Airport on the status of recommendations made in this report.

Respectfully submitted,

Tonia Lediju
Director of Audits

cc: Mayor
Board of Supervisors
Budget Analyst
Civil Grand Jury
Public Library

Page intentionally left blank.

r

INTRODUCTION

Audit Authority

The City Charter provides the Controller, City Services Auditor (CSA), with broad authority to conduct audits. This audit was conducted under that authority and pursuant to an audit plan agreed to by the Controller and San Francisco International Airport (Airport).

Background

New South Parking-California (NSP), a partnership between Central Parking System and Global Parking Systems, operates public and employee parking facilities at the Airport under an agreement with the Airport Commission. The term of the agreement is a three-year period from July 1, 2007, to June 30, 2010, with up to two additional one-year options that may be exercised at the discretion of the Airport Commission. NSP remits all parking revenue collections to the City and County of San Francisco (City). The Airport pays NSP a monthly management fee and reimburses NSP for certain operating costs, including labor and other allowable expenses.

There are four major public parking facilities at the Airport: the domestic terminal garage, two international garages, and the long-term public parking garage. All the facilities are controlled by a computerized parking access and revenue control system (parking system) that issues tickets to patrons and allows patrons or staff to process transactions at the exit gates. In addition, designated parking is available for FasTrak¹ patrons in certain areas. The parking system records all transactions, which provides critical internal controls over cash transactions. NSP reconciles amounts due according to the parking system with actual cash collected.

The exhibit below shows total revenues that NSP collected and submitted to the City for the audit period.

¹ FasTrak is an electronic toll collection system that allows parking patrons with a FasTrak account to park and have the fee automatically deducted from their account.

EXHIBIT**New South Parking Total Revenues
October 1, 2008 through September 30, 2009**

	Cash	Checks	Credit Cards	Shortages ^a	Total
Parking Receipts	\$12,214,642	\$25,694	\$51,407,796	\$1,508	\$63,649,640
Other ^b					17,320,677
Total					\$80,970,317

Notes: ^a Shortage amounts are remitted by NSP with other revenues on a monthly basis.

^b Includes valet, FasTrak, and other revenues that were not reviewed.

Source: NSP statement of gross revenues.

Scope and Methodology

The purpose of this audit was to determine whether NSP's controls over handling of cash and checks are adequate to ensure that the Airport receives all revenues from the public parking garages that are due under the contract. The audit period is from October 1, 2008, through September 30, 2009.

To conduct the audit, the auditors interviewed NSP staff and observed cash collection procedures at the domestic terminal garage. Auditors reviewed and evaluated cash handling internal controls over the collection of revenue at cashier booths and parking facility exits, and controls for when cash is collected by an armored car service for deposit at the bank. This audit also reviewed monthly reconciliations prepared by NSP and Airport accounting staff to verify that the reconciliations were adequate. Although total revenue includes cash transactions conducted at self-pay terminals, the audit did not review cash handling controls at these locations. No cash is handled by NSP staff at the self-pay terminals; it is collected by the armored car service. The audit was limited to cash and checks and did not include a review of electronically transferred payments by patrons who use credit cards or the FasTrak system.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

AUDIT RESULTS

Cash Handling Procedures by NSP Are Generally Adequate

The audit found that New South Parking (NSP) generally had adequate cash handling procedures to ensure that all cash and checks collected from parking patrons are deposited to the City's bank account. NSP's internal controls are sufficient for ensuring that cash collected at exit gates is accounted for, and that cash is safely transported after each shift to NSP's offices for counting by NSP staff and for collection and deposit by an armored car service.

NSP's Monthly Statement of Gross Revenues Does Not Report Complete Information

NSP submits a monthly statement of gross revenues to the Airport, but the statement does not provide the Airport with complete information. The gross revenues section of the statement indicates that parking receipts from cash and checks are based on amounts reported by the parking system. This is misleading because NSP makes adjustments to the parking system amounts that are not included in the monthly statement. The statements also do not show the differences between the amounts from the parking system and the amounts NSP reports as gross revenue for cash and personal checks receipts. Although NSP identifies these differences in a monthly reconciliation, the differences are not presented in the monthly statement. The NSP reconciliation identifies the differences between the parking system and reported gross revenues as due to the following:

- Overages and shortages that occur because the cashier collects a different amount than recorded in the system.
- Over-rings and under-rings where the cashier records an erroneous amount in the system, which is corrected subsequent to approval of a supervisor.

Recommendation

1. The Airport should require NSP to prepare the monthly statement of gross revenues by using information from the parking system, and separately list the adjustments made to arrive at total gross revenue receipts for cash and personal checks.

**Airport Parking
Management Needs
Revenue Reports
From NSP That Are
Comparable to
Parking System
Reports**

The Airport's parking manager stated that the monthly revenue reports from the parking system differ by minor amounts from the gross revenues NSP includes in its statements. For example, the system report showed a total of \$1,133,597 for cash and checks for August 2009, but the statement submitted by NSP to the Airport shows total cash and checks of \$1,134,580, a \$983 difference. To properly monitor NSP's reported revenues, the parking manager should be able to generate a report from the parking system, compare it to the monthly statement provided by NSP, and verify that revenue totals agree.

According to the parking manager, it is not possible to agree the amounts in the parking system to NSP's monthly statements because of differences in the daily closeout times for the parking system and the NSP reports. The parking manager stated that this problem may be resolved if the parking system vendor developed system reports with a closeout time that matches those of NSP's reports.

Recommendation

2. The Airport's parking manager should work with the parking system vendor to develop reports from the parking system that it can reconcile to NSP's monthly statements.

**NSP's Monthly
Summary Reports Are
Incorrectly Identified
as Parking System
Reports**

NSP's summary reports of collected revenues incorrectly describe them as reports generated by the parking system. They are actually based primarily on NSP's calculations of revenues collected. Only one column on the daily summary reports labeled "Register Tape Total" is actually revenue data from the parking system, and the remaining columns of figures are from NSP's calculations of revenues collected. Correct labeling of revenue sources on these reports would provide Airport management a clearer understanding of the sources of the information, thereby improving the Airport's oversight.

Recommendation

3. The Airport should require NSP to reformat its summary reports to correctly identify the sources of the revenue data presented.

NSP Does Not Pay Shortages to the Airport Daily as Required by Its Agreement

NSP pays cash shortage amounts to the Airport on a monthly basis. However, the agreement between NSP and the City requires that shortage amounts be paid on a daily basis. The Airport's parking manager is aware of this practice; however, there is no documented agreement with NSP to pay shortages monthly. The audit found that monthly shortages paid during the audit period ranged from \$8 to \$410. Since the monthly shortage amounts are small when compared to total revenue collected, and the effect on the Airport's cash flow is minimal, monthly payments of shortages may be appropriate. However, the agreement's requirements and actual practices should be consistent.

Recommendations

4. The Airport should either require NSP to pay shortages on a daily basis, or modify the agreement to permit NSP to submit shortage amounts to the Airport on a monthly basis.
5. If the Airport modifies the agreement to permit monthly payments of shortages, it should include a provision that requires NSP to remit shortages exceeding a pre-determined limit on the following business day, which would minimize the impact on the Airport's cash flow.

NSP's March 2009 Statement of Gross Revenues Is Incorrect

NSP's March 2009 statement of gross revenues does not report all revenues collected. According to NSP accounting staff, the electronic safe at the cashier's office at the long-term parking facility was malfunctioning for several days in March 2009. Normally, cash collected from parking patrons at the cashier booth is deposited to an electronic drop safe that automatically counts the deposited money, records the amounts in the parking system, and produces reports of currency and coins deposited. Each day, the armored car service company collects the safe's vault (a sealed container in the safe) and takes it to its facility where its staff opens it, counts the cash, and deposits it directly to the City's bank account. However, on the days the safe was malfunctioning, NSP staff counted the cash receipts before the service collected the money. Subsequently, NSP and the armored car service have been unable to agree on the amounts collected those days.

Further, this audit's review of the Airport's monthly reconciliation between bank deposits and NSP's monthly statement of gross revenues for March 2009 showed that bank deposits were less than the amount reported by NSP by a net amount of \$845. The auditors discussed this issue with NSP's

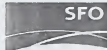
accounting manager, who noted that NSP had incorrectly reported cash collections in the statement and that she would submit a revised statement to the Airport.

Recommendations

The Airport should:

6. Require NSP to reach agreement with the armored car service over collections in March 2009, and to remit any amounts due the Airport.
7. Require NSP to submit a revised March 2009 monthly statement of gross revenues.

ATTACHMENT A: AIRPORT'S RESPONSE



San Francisco International Airport

March 9, 2010

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

Ms. Tonia Lediju
Director of Audits
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Rm. 316
San Francisco, CA 94102-4694

Subject: Cash Handling Audit – New South Parking

Dear Ms. Lediju:

The Airport received a draft copy of the Cash Handling Audit of New South Parking dated March 1, 2010, and concurs with the audit's findings. We have already implemented several of the audit recommendations and will continue to implement the remainder of the recommendations as outlined on the attached.

I would like to sincerely thank John Haskell and Ben Carlick for their candor during the audit process and for their constructive recommendations on ways to improve oversight of New South Parking's cash handling procedures.

If you have any questions, please feel free to call me at (650) 821-4051.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Van Hoy", is written over a horizontal line.

Kevin Van Hoy
Parking Manager
San Francisco International Airport

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

GAVIN NEWSOM
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGINIEME

JOHN L. MARTIN
AIRPORT DIRECTOR

Attachment

Recommendation	Responsible Agency	Response
1. The Airport should require NSP to prepare the monthly statement of gross revenues by using information from the parking system, and separately list the adjustments made to arrive at total gross revenue receipts for cash and personal checks.	Airport	The Airport directed New South Parking to make the recommended changes to the monthly statement of gross revenues effective with March 2010 statement. NSP's reports now delineate differences of gross monthly revenues by listing the daily actual variance from system report figures.
2. The Airport's parking manager should work with the parking system vendor to develop reports from the parking system that it can reconcile to NSP's monthly statements.	Airport	The Airport will continue to work with NSP and its Parking and Revenue Control System's vendor, Scheidt & Bachmann, to develop system generated reports that will reconcile to NSP's monthly statements.
3. The Airport should require NSP to reformat its summary reports to correctly identify the sources of the revenue data presented.	Airport	New South Parking has reformatted its monthly summary reports to correctly identify sources of revenue data presented.
4. The Airport should either require NSP to pay shortages on a daily basis, or modify the agreement to permit NSP to submit shortage amounts to the Airport on a monthly basis.	Airport	The Airport acknowledges a verbal agreement made with NSP to submit shortage amounts on a monthly basis and will modify future contract agreements to reflect this understanding.

Recommendation	Responsible Agency	Response
5. If the Airport modifies the agreement to permit monthly payments of shortages, it should include a provision that requires NSP to remit shortages exceeding a pre-determined limit the following business day, which would minimize the impact on the Airport's cash flow.	Airport	The Airport will also include a provision in future contract agreements which will require NSP to remit shortages within five (5) business days if the monthly cumulative amount exceeds a predetermined threshold in order to minimize the impact on the Airport's cash flow.
6. The Airport should require NSP to reach agreement with the armored car service over collections in March 2009 and remit any amounts due the Airport.	Airport	NSP has reached agreement with the armored car collection service over shortages in March 2009 collections and credited the Airport for the shortage on February 19, 2010.
7. The Airport should require NSP to submit a revised March 2009 monthly statement of gross revenues.	Airport	The Airport received a revised March 2009 monthly statement of gross revenues from NSP on February 19, 2010.

Page intentionally left blank.

ATTACHMENT B: NSP'S RESPONSE



**New
South
Parking**

New South Parking
San Francisco Int'l Airport
P.O. Box 280567
San Francisco, CA 94128-0567

Phone: 650 821 7900
Fax: 650 821 7924
Website: www.parking.com

March 9, 2010

Tonia Lediju
Director of Audits
City and County of San Francisco
Office of the Controller – City Hall
1 Dr. Carlton B. Goodlett Place, Rm. 316
San Francisco, CA 94102-4694

Re: New South Parking Cash Handling Audit
San Francisco International Airport Parking Operations

Dear Ms. Leiju:

I've received and reviewed your audit results and recommendations letter dated March 1, 2010. Per your request, I've included with this letter New South Parking's responses to your recommendations.

We sincerely appreciate the opportunity we've had to work with you and your staff toward reaching the mutual goal of ensuring adequate cash handling procedures and controls are in place at the San Francisco International Airport parking operation. We look forward to implementing these enhancements, and are genuinely grateful for your insightful and constructive recommendations.

As always, should you have any questions or require further assistance, please don't hesitate to contact me at your convenience.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. Webster".

John L. Webster
General Manager
New South Parking

ATTACHMENT: AIRPORT'S RESPONSES

Recommendation	Responsible Agency	Response
1. The Airport should require NSP to prepare the monthly statement of gross revenues by using information from the parking system, and separately list the adjustments made to arrive at total gross revenue receipts for cash and personal checks.	Airport	Recommended changes to be made to Monthly Statement of Gross Revenues. Effective March, 2010 Statement.
2. The Airport's parking manager should work with the parking system vendor to develop reports from the parking system that it can reconcile to NSP's monthly statements.	Airport	NSP will team with Parking Management to work with PARCS vendor Scheidt & Bachmann in developing system generated reports that reconcile to NSP monthly financial statements.
3. The Airport should require NSP to reformat its summary reports to correctly identify the sources of the revenue data presented.	Airport	Completed as of March 1, 2010.
4. The Airport should either require NSP to pay shortages on a daily basis, or modify the agreement to permit NSP to submit shortage amounts to the Airport on a monthly basis.	Airport	Defer to Parking Management/Airport.

Recommendation	Responsible Agency	Response
5. If the Airport modifies the agreement to permit monthly payments of shortages, it should include a provision that requires NSP to remit shortages exceeding a pre-determined limit the following business day that would minimize the impact on the Airport's cash flow.	Airport	Defer to Parking Management/Airport.
6. The Airport should require NSP to reach agreement with the armored car service over collections in March 2009 and remit any amounts due the Airport.	Airport	March, 2009 Cashlink shortage at the Long Term Facility totaling \$896.00 was wire transferred to city on 2/19/10.
7. The Airport should require NSP to submit a revised March 2009 monthly statement of gross revenues.	Airport	Submitted to Airport's Parking Management and Accounting departments on 2/19/10.

